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ABSTRACT

In a study of the effect of crossownerships of newspapers and television stations on citizen access to mass media for the discussion of public issues, information was analyzed about television circulation, advertising costs, and market sizes for 208 crossownership market areas. Results were as follows: crossownerships are all located in the larger market areas and are predominately in the Eastern region of the United States, crossownerships own a disproportionately large number of VHF stations and of network affiliations, more than half of the crossownerships are top-ranked stations in their markets, and the dominance of the crossownership stations is not matched by excessive rates for advertising for commercial or debate purposes. The findings did not support the idea of forced divestiture. (DF)

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CROSS-OWNERSHIP: NON-EDITORIAL QUESTIONS

by

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Every day, one of every three people in America watches a television station owned by a newspaper published in the same town, a cross-ownership.[1] While the FCC and the courts have treated newspapers exactly like other chair owners of broadcast outlets in the past, recent rules and cases have outlawed newspaper owenership of a broadcast outlet in the same city, except where such cross-ownership already exists.[2] Implicit in this concern over one person or organization owning multiple media in one city is the assumption that such ownership would not encourage the mass media to promote "debate on public issues (that should) be uninhibited, robust, and wide-open."[3] The First Amendment, in the opinion of the 1964 Supreme Court, was a protection for media so the media could promote public discussion of issues and events, what the FCC calls operating in the public interest. Justice Marshall affirmed this view of the cross-ownership rule and the First Amendment, holding that the FCC regulations and grandfathering "are a reasonable means of promoting the public interestin diversified mass communication."[4]

Most cross-ownership research has asked whether content or programing is homogenized by cross-ownership, leaving ownership diversity and economic questions untouched.[5] But the decision to purchase or sell a newspaper or broadcast outlet is generally a business not an editorial decision. Gannett does not buy the Fort Collins Coloradoan to have an editorial voice in that small Colorado town, nor does Knight-Ridder buy WJRT-TV in Flint, Mich., in order to influence Michigan politics and public policy. Media operations are purchased because they show potential for profitable operation.

While the study of impacts of cross-ownership on media content is an important one, research must not neglect other economic questions about cross-ownership. These questions raise issues quite separate from whether

cross-owned stations broadcast more news scoops or porgrams more local public affairs shows than non-cross-owned stations.

Anderson, et al. focused on economic questions in a study of possible antitrust action against cross-ownerships.[6] They compared mean per-station, per-thousand revenue for cross-owned television stations and non-cross-owned. They found a statistically insignificant tendency for cross-owned stations to generate less income per home than non-cross-owned. However, in the Top 50 Markets, they found the opposite: a statistically significant positive relationship between revenue and cross-ownership. This finding suggests a decision opposite the one reached by the FCC and affirmed by the Supreme Court -- the grandfathering of existing cross-ownerships except for seven egregious examples of monopoly cross-ownership, all of which are located in small markets. The findings from Anderson, et al. would suggest that cross-ownerships in the 50 largest markets are those which restrain trade, if any do. Additionally, they found that group stations tend to command a larger share of national and regional advertising, while individual stations received the larger share of local advertising. They suggested this was because the group owner's emphasis was on either national or regional scope, while the individual owner was more concerned with local interests. Although the implication of such lack of local concern by group owners is obvious, the study concluded that no relationship existed which would suggest antitrust violations.

A quite different economic question from Anderson's is raised by asking whether cross-ownerships restrain the use of public airwaves for freedom-of-speech purposes. To determine whether cross-ownership unfairly, perhaps illegally or unconstitutionally, restricts freedom of speech requires a look at such variables as the cost to the citizen of buying air time and the availability of competing television outlets. New York Times v Sullivan[7]

was decided, it should be remembered, in the context of advertising not editorial matter. The Court was implying that advertising space is as important as editorial space to wide-open discussion of issues.

Anderson's study represents an important beginning in measuring the impact of non-content aspects of cross-ownership. This study will extend that work, considering public discussion implications of cross-ownership from both descriptive and analytical frameworks. Descriptively, the study will consider the group ownership patterns, the location of the methods of broadcasting of cross-owned stations. Analytically, the study will measure the impact of cross-ownership on the circulation and advertising rates of television stations. Specifically, the study will ask whether cross-owned stations tend to be the dominant station in the market, thus making competing stations less viable for reaching large segments of the public with one's views about public policy. The study will also ask whether cross-owned stations charge higher advertising rates, thus making air time more difficult for citizens to use in public discussion. The increasing use of spot commercials both political candidates and groups seeking to affect public opinion makes the rates charged for such time an important constraint on the amount of public discussion.

METHODOLOGY

Information about television circulation, television advertising costs and market sizes for all television stations located in markets which had at least one cross-owned station was computed from Television Factbook, 1977-78. Station circulation was defined as net daily circulation rather than net weekly in order to provide more accurate cost-per-thousand advertising rate comparisons. Advertising rates generally are based on the number of homes delivered during the time the advertisement is broadcast, and daily

circulation parallels that figure more closely than weekly. A station's advertising rate for a 30-second commercial in prime time was defined as the station's advertising cost to the citizen who wished to purchase time to discuss public issues. Mean advertising cost-per-thousand scores were calculated for both cross-owned and non-cross-owned stations. Advertising costs-per-thousand was computed by dividing the time charges for a 30-second prime-time commercial by the net daily circulation.

Additionally, cross-owned stations were ranked as first, second, third or less-than-third on both the circulation and advertising cost variables in order to accurately compare cross-ownership's impact on its market and to avoid comparing very different markets such as New York City and Anniston, Ala. These rankings of the cross-owned stations were then analyzed statistically with the Kolmorgorov-Smirnov test for significance of difference.

The study examined cross-ownerships in all 208 market areas as defined by Arbitron, Inc. While major markets such as New York City and Chicago probably have a larger impact on the discussion of national issues than smaller markets such as Idaho Falls, Id., or Meridian, Miss., this impact cuts both ways. A Meridian station will have a much greater impact on public discussion of Meridian issues than will the New York station. There may even be reason to believe that effects in smaller markets will be greater, because the smaller market has less media diversity.

With the definition of ownership of a daily newspaper and television station within the same city as a cross-ownership, 65 cross-ownerships were identified in 55 Arbitron market areas. However, a redefinition of some market areas was necessary. For instance, the cross-owned station in Mason City, Ia., is located in the same Arbitron market with stations in Austin, and Rochester, Minn. This may be useful for advertising and network executives who use Arbitron data, but hardly so for questions of public

debate. Neither the Rochester nor Austin stations are interested in broadcasting discussion of Mason City or Iowa issues. For the purposes of this study, four Arbitron markets were split, giving a total of 65 cross-ownerships in 59 distinct market areas.[8]

FINDINGS

DESCRIPTION OF CROSS-OWNERSHIPS. Cross-ownership is not a static field, and the pace of activity increased dramatically during the legal battles culminating in mid-1978. The mere threat of forced divestiture caused eight newspapers to sell their cross-owned stations in 1977 alone. The Washington Post and Detroit News found an interesting way to divest themselves of their cross-owned stations; they swapped them, along with $2 million in loose change. In this way the Post and News can each continue to own a lucrative television station but no longer worry about cross-ownership problems.[9]

Cross-ownership is but on aspect of concentration of media ownership, and Newhouse Newspaper provides an interesting example of all types of concentration -- chain ownership of newspapers, group ownership of broadcast outlets and cross-ownership of media. The newspaper chain of 29 papers with a 3.2 million circulation is one of the three or four largest by any measure. The television group ownership with seven stations has the maximum allowed by the FCC. Interestingly, five of the seven television stations are located in cities where Newhouse also publishes a newspaper - St. Louis; Portland, Ore.; Harrisburg, Pa.; Birmingham, Ala.; and Syracuse, N.Y.

But Newhouse is not unique. Scripps-Howard with 17 newspapers and a 2 million circulation owns five television stations, three located in cities where Scripps-Howard publishes a newspaper -- Cleveland, Cincinnati and Memphis. The Tribune Co. publishes the largest circulation newspapers

in New York and Chicago -- and also has television stations in both cities. Cox Enterprises, which publishes the Alanta and Dayton, Ohio, newspapers, also owns the dominant television station in both cities. Just the four newspaper conglomerates own almost one-fifth of all cross-owned stations. Chain cross-ownership certainly is a factor in describing cross-ownerships.

These examples of concentration of ownership and cross-ownership are all located in the larger market areas, a generalization that seems accurate. Almost half of the Top 50 Markets -- 46% -- have at least one cross-ownership, while less than 10% of the smallest 50 markets do. Likewise, 46% of all cross-ownerships are located in the Top 50 Markets, while but 6% are located in the smallest 50 markets. Seven of the Top 10 Markets have cross-ownerships, and at the time of this study three of those markets had two each -- Chicago, Washington and Dallas.

Cross-ownerships are also predominately in markets in the eastern region. Almost half of the markets in the Middle Atlantic region -- 47% -- have at least one cross-ownership, and more than one-third in the East Central -- 36% -- also do. Three states in those areas -- New York, Pennsylvania and Ohio -- have 23% of all cross-ownerships. Ohio is the individual state leader with six, including two Scripps-Howard combinations and one each for Knight-Ridder and Cox Enterprises.

While Ohio leads in concentration of media ownership, Pennsylvania's cross-ownerships provide interesting case studies for understanding how a newspaper-television combination may dominate a market. In Johnstown, WJAC-TV, owned by the Johnstown Tribune-Democrat, has an audience 30 times larger than its only competitor, WJNL-TV. Yet, the FCC did not call Johnstown a city where "a single publisher's concentration of newspaper and television ownership no longer serves the public interest." In Lancaster, the Intelligencer-Journal/New Era's WGAL-TV effectively reaches 87% of the homes in the market

every day, while its only competitor WLYH-TV reaches 21%. And in Harrisburg, where the competition is closer, the Patriot/News' WTPA-TV still has a 20% larger share of the audience that WHP-TV, the only competitor. Only in Erie of the four cross-ownership markets in Pennsylvania does a cross-owned station trail another station in circulation, and this cross-ownership suggests other important variables to consider in understanding how cross-owned stations dominate their markets. The Erie News/Times-owned WSEE-TV has barely half the net daily circulation of WICU-TV. However, WICU is a VHF-channel station while WSEE is a UHF-channel. UHF station problems in attempting to compete with VHF stations have been the occasion of rule-makings and consternation at the FCC and the subject of a good deal of criticism.[11] In both the Johnstown and Lancaster examples above the newspaper-owned station was a VHF channel, while the sadly-losing competitor was a UHF channel.

Cross-ownerships own a disproportionately large number of VHF channels. Of the 65 cross-ownerships, 56 operate on VHF channels, significantly more than would be expected in a random sample of 65 stations. ($X^2 = 5.09$, df = 1, $p<.05$) There are historical reasons for this, of course. Newspaper-owned stations began early in television's lifespan when VHF channels were plentiful. Additionally, few television receivers in the 1950s could even receive UHF signals, and VHF established itself as television's broadcast band long before the FCC decreed in 1962 that all sets must be able to receive UHF signals. VHF stations today generally dominate their UHF competition. For instance, there is not a single market where a cross-owned VHF station trails a UHF station in its market. The importance of a VHF channel is further demonstrated by examining the nine UHF-channel cross-ownerships. Five of these nine are in all-UHF-channel markets, and all five lead in circulation. The other four UHF-channel cross-ownerships face direct VHF competition, and all are last or virtually last in circulation rankings.

Channel allocation is not the only variable affecting circulation ranking directly. Network affiliation is perhaps an even more significant factor in circulation dominance, and again cross-owned stations have a significantly greater proportion of network affiliations than would be expected in a random sample of 65 stations. Sixty-one of the 65 cross-owned stations have network affiliation. ($X^2 = 4.25$, df = 1, p .05) The explanation for this may also be historical; cross-owned stations were begun when network affiliations were available. Network affiliation's importance to circulation rank is demonstrated by analyzing the four non-network stations. In each case that station trails all of the network-affiliated stations in the market. Correspondingly, in only one case out of the 61 does a network-affiliated, cross-owned station trail a non-network station.

Whatever the historical reasons for cross-owned stations having greater network affiliation and VHF-channel allocation, the fact remains that cross-ownerships have disproportionate shares of the characteristics of dominant stations. Because much of the previous discussion is anecdotal and because such characteristics alone do not determine circulation ranks or advertising costs, we turn to statistical tests to examine whether these characteristics of dominating stations are turned into dominating circulations and advertising charges.

ANALYTIC EXAMINATION OF CROSS-OWNED STATIONS' CIRCULATION AND ADVERTISING COSTS. The first part of the analysis asks whether cross-owned stations are disproportionately the leaders in circulation. Table 1 shows the number of cross-owned stations that rank first, second, third or lower-than-third in net daily circulation. More than half of the cross-ownerships -- 57% -- are the top-ranked station in the market, while only three stations rank less than third. This statistically significant proportion of highly-ranked stations suggests that cross-ownerships do tend to dominate the audiences

in their markets. Further, six cross-owned stations are in direct competition with other cross-owned stations. Since both cannot be top-ranked, the data in Table 1 is skewed downward; in other words, the 37 top-ranked cross-ownerships represent 64% of the 59 markets in which cross-ownerships broadcast.

However, it may seem anomalous to decry cross-owned stations for doing well what television stations are in the business of doing well -- attracting large audiences. The cost of using station time in order to express one's views -- to participate in the public discussion through the media -- is even more important to the questions of this study than simple circulation data. If cross-ownerships use their circulation dominance to impose arbitrarily high advertising rates, they would clearly be chilling individual's rights to debate issues, or acting against the public interest.

Naturally, the cost of commercial time will be higher on a station with a larger audience, and we would expect the cross-owned stations to have higher rates because of their comparatively larger audiences. However, advertising costs-per-thousand place these stations of varying audience sizes in a perspective where they can be compared. The mean cost-per-thousand for all cross-owned stations was $2.16, compared with $2.11 mean for the non-cross-owned stations in the study. While the trend suggests a higher cost for using time on a cross-owned station, the difference is not significant. ($t = .048$, $df = 237$, n.s.)

However, it is not clear that advertising costs-per-thousand are comparable across the market areas. It seems unlikely that costs-per-thousand in Washington, D.C., and Watertown, N.Y., would be the same. And the data in this study bear that out. The cost-per-thousand ranged from a low of $.05 to a high of $4.84. Thus, in order to compare cost-per-thousand rates within markets, rankings similar to those for circulation were calculated. The second line of Table 1 shows the number of cross-owned stations that ranked

first, second, third or less-than-third in advertising cost-per-thousand. While 32 of the 65 stations -- 49% -- had the highest rank, 20 stations had cost-per-thousand rankings of third or less. This compares with only 10 stations that had rankings of third or less in circulation. The data for advertising cost ranks, unlike the circulation data, are not statistically significant.

DISCUSSION

In its recent decision on cross-ownership, the Supreme Court did not force divestiture of all existing cross-owned stations, but neither did the Court prohibit the FCC from forcing divestiture.[12] Indeed, the Court let stand an FCC order forcing divestiture for seven monopoly cross-ownerships, cases in which the only newspaper in town owned the only television station in town. Certainly, the Supreme Court's decision leaves open the possibility of future forced divestitures when the FCC decides that they are necessary for the public interest. It will be interesting to note if the divestiture pace of 1997 and early 1978 slows appreciably because of the favorable ruling from the Court or if it continues unabated because of the possibility of future forced divestitures.

The clear implication of this study is that the domination of cross-owned stations in circulation is not matched by a dominance in advertising costs. There is little evidence that cross-ownerships use their circulation ranks to impose excessive rates for public use of the airwaves in debate. Further research should attempt to uncover whether the cross-ownerships' circulation dominance, unmatched by high advertising cost rates, may yet have an adverse impact on public discussion. If anything, this study implies that cross-owned stations are simply very successful at doing what television stations should do -- attract large audiences. Without evidence that such circulation

dominance chills public debate through the medium, cross-owned stations should not reasonably be penalized for their success.

A forced divestiture of cross-owned stations might not change any circulation patterns anyway. If indeed, as the description of cross-owned stations suggests, these stations enjoy disproportionate numbers of network affiliations and VHF-channel allocations, the circulation dominance is more likely a function of these factors than ownership. A secondary analysis reinforces just such a point. Network affiliates are the circulation leaders in all 59 markets in this study. Further, network affiliates rank second in 48 of the 49 markets in this study with two or more stations. Similarly, VHF-channel allocation correlates strongly with circulation dominance. VHF channels are the circulation leaders in 53 of the 59 markets; in all six markets in which UHF channels are the circulation leaders, there are no VHF channels. Thus, the dominance of cross-owned stations seem to be a function of their channel allocations and network affiliation.

The problems of how to more effectively utilize the UHF spectrum or encourage viable non-network programming alternatives will not be solved by forcing divestiture of cross-owned stations. While there are of course other valid reasons for forcing divestiture of cross-ownerships, the perspective of this study -- that cross-ownerships could inhibit citizen access to media for the robust discussion of public issues -- fails to support any necessity for forced divestiture.

Table 1

	First Rank	Second Rank	Third Rank	Less-Than-Third Rank
*Net Daily Circulation Rank of Cross-Ownerships Within Market Area	37	18	7	3
**Advertising Cost-Per-Thousand Rank of Cross-Ownerships Withing Market Area	32	13	15	5

* $p < .05$

** $p < .05$

FOOTNOTES

[1]compiled from Television Factbook, 1977-1978 (Washington, D. C.: Television Digest, Inc.) 1977.

[2]Second Report and Order (Docket #18110), 32 R. R. 2d 954 (1975).

[3]New York Times v. Sullivan, 376 U.S. 254, 262 (1964).

[4]NCCB v. FCC, 46 U.S. Law Week 4609 (1978).

[5]See, in general, Michael O. Wirth and James A. Wollert, "Public Interest Program Performance of Multimedia-Owned TV Stations," Journalism Quarterly. (Summer, 1976), 53:223-230; Karl J. Nestvold, "Local News Cooperation Between Co-Owned Newspapers and Radio Stations," Journal of Broadcasting. (Spring, 1965), 9:143-156; William T. Gormley, Jr., "How Cross-Ownership Affects News-Gathering," Columbia Journalism Review. (May/June, 1977), 17:38-46; and Guido H. Stempel III, "Effects of Performance of a Cross-Media Monopoly," Journalism Monographs. (June, 1973), No. 29.

[6]James A. Anderson, Robert L. Coe, and James C. Saunders, "Economic Issues Relating to the FCC's Proposed 'One-to-a-Customer' Rule," Journal of Broadcasting. (Summer, 1969), 13:241-252.

[7]supra. note 3.

[8]The four markets which were split were the Cleveland; Charlotte, N. C.; Harrisburg, Pa.; and Salt Lake City, Utah, markets. The Akron, Hickory, Lancaster and Ogden stations, respectively, were split from those markets.

[9]Justice Marshall in NCCB v. FCC, supra., suggested that this swap and the possibility of future swaps may have influenced the Court's decision.

[10]Second Report and Order, supra.

[11]For a general discussion of this problem see, Louis M. Kohlmeier, Jr., The Regulators: Watchdog Agencies and the Public Interest. (New York: Harper & Row) 1969, especially Chapter 16, "The Master Plan for Television."

[12]NCCB v. FCC, supra.